

Message Text

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PAGE 01 BAGHDA 00212 010844Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 L-03 NSC-05 SS-15
STR-07 CEA-01 /108 W
-----112637 010856Z /17

R 010530Z FEB 78
FM USINT BAGHDAD
TO SECSTATE WASHDC 5600
INFO USDOC WASHDC
AMEMBASSY ATHENS
AMEMBASSY TEHRAN

UNCLAS BAGHDAD 0212N

ATHENS FOR RTDO

E.O. 11652: NA
TAGS: EINV, EIND, EFIN
SUBJ: UPDATE OF IRAQI INVESTMENT CLIMATE STATEMENT

REF (A) 77 STATE 244738 (B) 77 BAGHDAD A-61 OF DEC 31, 1977

1. SUMMARY. THOUGH IRAQI LAWS DO NOT PROHIBIT DIRECT FOREIGN INVESTMENT, GOVERNMENT POLICY SEVERLY LIMITS THE OPPORTUNITIES FOR IT, AND THERE IS NO DIRECT FOREIGN INVESTMENT OF ANY SIGNIFICANCE. THE FOLLOWING PARAGRAPHS ARE KEYED TO THE TOPIC HEADINGS IN REFTEL. END SUMMARY.

2. GOVERNMENT ATTITUDES. IRAQ PROVIDES LITTLE SCOPE FOR DIRECT FOREIGN INVESTMENT AT THE PRESENT TIME. THOUGH LAWS PERMIT IT ON THE CONDITION THAT THE IRAQI SHARE IS 51 PERCENT OR MORE, THE GOVERNMENT BELIEVES THAT IRAQ DOES NOT NEED IT AND CONSIDERS PROPOSALS ONLY ON A CASE-BY-CASE BASIS. PROPOSALS APPROVED SO FAR HAVE INVOLVED EITHER GOVERNMENT-TO-GOVERNMENT ARRANGEMENTS, MULTILATERAL
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INVESTMENT BY ARAB ORGANIZATIONS, OR JOINT VENTURES INCORPORATED IN IRAQ TO UNDERTAKE A MAJOR PROJECT. SINCE THE COMPLETION OF THE NATIONALIZATION OF THE PETROLEUM COMPANIES, THERE REMAINS NO SIGNIFICANT AMERICAN OR OTHER FOREIGN DIRECT INVESTMENT IN IRAQ.

3.ECONOMIC FACTORS AND DEVELOPMENT POLICY. WITH AN

OIL INCOME OF OVER 9 BILLION DOLLARS IN 1977 AND THE PROSPECT OF OIL REVENUES OF AT LEAST THIS SIZE FOR THE FORESEEABLE FUTURE, IRAQ HAS THE CAPABILITY TO TO FINANCE ITS OWN ECONOMIC DEVELOPMENT. IT HAS, IN FACT, ONLY IN TWO OR THREE CASES SOUGHT INTERNATIONAL FINANCING IN ANY FORM. IN THE GOVERNMENT-CONTROLLED "SOCIALIST" SECTOR, WHICH PRODUCED 75 PERCENT OF IRAQ'S 1977 GNP OF 19 BILLION DOLLARS, FOREIGN INVESTMENT HAS BEEN LIMITED TO A FEW GOVERNMENT-TO-GOVERNMENT ARRANGEMENTS INVOLVING FOREIGN EQUITY OWNERSHIP AND A FEW FOREIGN INVESTMENTS UNDERTAKEN BY THE ARAB ECONOMIC UNITY COUNCIL AND OTHER PAN-ARAB ECONOMIC AND INDUSTRIAL ORGANIZATIONS IN WHICH IRAQ PARTICIPATES. THE SMALL PRIVATE SECTOR COULD THEORETICALLY OFFER A FEW OPPORTUNITIES, BUT LENIENT GOVERNMENT LOADS TO PRIVATE SECTOR FIRMS WISHING TO UNDERTAKE PROJECT ACCORDED PRIORITY IN NATIONAL DEVELOPMENT PLANNING OBTAIN THE NEED FOR MOST PRIVATE IRAQI BUSINESSMEN TO SEEK FOREIGN DIRECT INVESTMENT. IN THE FEW CASES WHERE IT HAS OCCURRED, IRAQI AND FOREIGN FIRMS HAVE FORMED A JOINT VENTURE INCORPORATED IN IRAQ FOR THE EXECUTION BUT NOT USUALLY FOR THE OWNERSHIP OF A SPECIFIC PROJECT. (SEE REF AFR FOR FURTHER INFORMATION ABOUT ECONOMIC TRENDS IN IRAQ.)

4. LABOR. IRAQ HAS A SHORTAGE OF SKILLED AND SEMI-SKILLED LABOR. THE GOVERNMENT WANTS TO MEET THESE SHORTAGES
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TO THE GREATEST EXTENT POSSIBLE FROM THE INDIGENOUS POPULATION AND HOPES TO INCREASE THE LABOR FORCE FROM 2.9 MILLION IN 1976 TO 3.5 MILLION IN 1980 THROUGH NATURAL GROWTH OF THE LABOR POOL AND BY THE GREATER EMPLOYMENT OF WOMEN. TO RAISE THE SKILLS LEVEL OF THE WORK FORCE, THE GOVERNMENT IS ALSO UNDERTAKING LARGE-SCALE VOCATIONAL, TECHNICAL AND UNIVERSITY TRAINING PROGRAMS. THOUGH NO STATISTICS ARE AVAILABLE ON THE NUMBER OF FOREIGN LABORERS IN IRAQ, THEIR PROPORTION IN COMPARISON TO THE TOTAL LABOR FORCE IS MUCH LESS THAN THAT OF NEIGHBORING OIL-RICH COUNTRIES. MOST FOREIGN LABORERS ARE FROM OTHER ARAB AND MUSLIM COUNTRIES, PARTICULARLY EGYPT AND PAKISTAN.

5. OWNERSHIP, POLICY, INVESTMENT DISPUTES AND OPIC.
SEE PARA 2 ABOVE FOR OWNERSHIP POLICY. IN REGARD TO POSSIBLE INVESTMENT DISPUTES, MOST COMMERCIAL CONTRACTS STATE THAT IRAQI LAW APPLIES AND SOME ALSO PROVIDE FOR INTERNATIONAL ARBITRATION. DISPUTES WHICH HAVE GONE TO INTERNATIONAL ARBITRATION HAVE USUALLY TAKEN YEARS TO SETTLE. IN THE ABSENCE OF DIPLOMATIC RELATIONS BETWEEN IRAQ AND THE US, THE OVERSEAS PRIVATE INVESTMENT CORPORATION DOES NOT INSURE AGAINST POLITICAL RISKS IN IRAQ.

6. ANTICIPATED CHANGES. USINT ANTICIPATES NO MAJOR
CHANGES IN THE NEAR FUTURE OF IRAQI POLICIES OR LAWS
CONCERNING FOREIGN DIRECT INVESTMENT.

7. STATISTICAL INFORMATION. NONE AVAILABLE.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT CLIMATE
Control Number: n/a
Copy: SINGLE
Draft Date: 01 feb 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BAGHDA00212
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780047-1027
Format: TEL
From: BAGHDAD
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197802108/aaaadnpo.tel
Line Count: 123
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a87d08ce-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: ONLY
Reference: 77 STATE 244738, 77 BAGHDAD A-61
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3448345
Secure: OPEN
Status: NATIVE
Subject: UPDATE OF IRAQI INVESTMENT CLIMATE STATEMENT
TAGS: EINV, EIND, EFIN, IZ
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/a87d08ce-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014